

INTRODUCTION: Federal Fiscal Operations

Budget authority usually takes the form of appropriations that allow *obligations* to be incurred and payments to be made. Reappropriations are Congressional actions that extend the availability of unobligated amounts that have expired or would otherwise expire. These are counted as new budget authority in the fiscal year of the legislation in which the reappropriation act is included, regardless of when the amounts were originally appropriated or when they would otherwise lapse.

Obligations generally are liquidated by the issuance of checks or the disbursement of cash--*outlays*. Obligations may also be liquidated (and outlays recorded) by the accrual of interest on public issues of Treasury debt securities (including an increase in redemption value of bonds outstanding); or by the issuance of bonds, debentures, notes, monetary credits, or electronic payments.

Refunds of collections generally are treated as reductions of collections, whereas payments for earned-income tax credits in excess of tax liabilities are treated as outlays. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and from budget authority provided for the year in which the money is spent. Total outlays include both budget and off-budget outlays and are stated net of offsetting collections.

Receipts are reported in the tables as either budget receipts or offsetting collections. They are collections from the public, excluding receipts offset against outlays. These, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve system. Refunds of receipts are treated as deductions from gross receipts. Total Government receipts are compared with total outlays in calculating the budget surplus or deficit.

Offsetting collections from other Government accounts or the public are of a business-type or market-oriented nature. They are classified as either collections credited to appropriations or fund accounts, or offsetting receipts (i.e., amounts deposited in receipt accounts). The former normally can be used without appropriation act by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations. For accounting purposes, earned reimbursements are also known as revenues. These offsetting collections are netted against gross outlays in determining net outlays from such appropriations; and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); offsetting collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without appropriation. They are subdivided into three categories: (1) proprietary receipts, or collections from the public, offset against outlays by agency and by function; (2) intragovernmental transactions, or payments into receipt accounts from

governmental appropriation or fund accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts; and (3) offsetting governmental receipts which include foreign cash contributions.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions--payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions--payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions--payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, subfunction, or agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by *off-budget Federal entities*) as employers into employees' retirement funds; (2) interest received by trust funds; (3) rents and royalties on the Outer Continental Shelf lands; and (4) other interest (i.e., that collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

The Government has used the unified budget concept set forth in the "Report of the President's Commission on Budget Concepts" as a foundation for its budgetary analysis and presentation since 1969. The concept calls for the budget to include all of the Government's fiscal transactions with the public. Since 1971, however, various laws have been enacted removing several Federal entities from (or creating them outside of) the budget. Other laws have moved certain off-budget Federal entities onto the budget. Under current law, the off-budget Federal entities consist of the two Social Security trust funds, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Fund, and the Postal Service.

Although an off-budget Federal entity's receipts, outlays, and surplus or deficit ordinarily are not subject to targets set by the congressional resolution, the Balanced Budget and Emergency Deficit Control Act of 1985 [commonly known as the Gramm-Rudman-Hollings Act as amended by the Budget Enforcement Act of 1990 (2 U.S.C. 900-922)] included off-budget surplus or deficit in calculating deficit targets under that act and in calculating excess deficit. Partly for this reason, attention has focused on both on- and off-budget receipts, outlays, and deficit of the Government.

Tables **FFO-1**, **FFO-2**, and **FFO-3** are published quarterly and cover 5 years of data, estimates for 2 years, detail for 13 months, and fiscal year-to-date data. They provide a summary of data relating to Federal fiscal operations reported by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. They also detail accounting transactions affecting receipts and outlays of the Government and off-budget Federal entities and their related effect on assets and liabilities of the Government. Data are derived from the

“Monthly Treasury Statement of Receipts and Outlays of the United States Government.”

- Table **FFO-1** summarizes the amount of total receipts, outlays, and surplus or deficit, as well as transactions in Federal securities, monetary assets, and balances in Treasury operating cash.

- Table **FFO-2** includes on- and off-budget receipts by source. Amounts represent income taxes, social insurance taxes, net contributions for other insurance and retirement, excise taxes, estate and gift taxes, customs duties, and net miscellaneous receipts.

- Table **FFO-3** details on- and off-budget outlays by agency.

- Table **FFO-4** summarizes internal revenue collections by States and other areas and by type of tax. Amounts reported are collections made in a fiscal year. They span several tax

liability years because they consist of prepayments (i.e., estimated tax payments and taxes withheld by employers for individual income and Social Security taxes), of payments made with tax returns, and of subsequent payments made after tax returns are due or are filed (i.e., payments with delinquent returns or on delinquent accounts).

It is important to note that these data do not necessarily reflect the Federal tax burden of individual States. Amounts are reported based on the primary filing address provided by each taxpayer or reporting entity. For multistate corporations, the address may reflect only the State where such a corporation reported its taxes from a principal office rather than other States where income was earned or where individual income and Social Security taxes were withheld. In addition, an individual may reside in one State and work in another.

Budget Results and Financing of the U.S. Government and Fourth-Quarter Receipts by Source

[Source: Office of Tax Analysis, Office of Tax Policy]

Fourth-Quarter Receipts

The following capsule analysis of budget receipts, by source, for the fourth quarter of fiscal 1996 supplements fiscal data reported in the December issue of the “Treasury Bulletin.” At the time of that issue’s release, not enough data were available to analyze adequately collections for the quarter.

Individual income taxes—Individual income tax receipts were \$164.6 billion for the fourth quarter of fiscal 1996. This is an increase of \$16.7 billion over the comparable quarter for fiscal 1995. Withheld receipts increased by \$12.0 billion and non-withheld receipts increased by \$3.9 billion during this period. Refunds decreased by \$0.9 billion over the comparable fiscal 1995 quarter. There was a decrease of \$1.0 billion in accounting adjustments between individual income tax receipts and the Social Security and Medicare trust funds over the comparable quarter in fiscal 1995.

Corporate income taxes—Net corporate receipts for the fourth quarter of fiscal 1996 totaled \$43.2 billion. This was \$4.3 billion higher than net receipts for the comparable quarter of fiscal 1995. The \$4.3 billion figure consists of \$4.3 billion in higher estimated and final payments with no change in refunds. The increase in net receipts mainly reflects higher corporate profits.

Employment taxes and contributions—Employment taxes and contributions receipts for the fourth quarter of fiscal 1996 were \$117.8 billion, an increase of \$9.0 billion over the comparable prior year quarter. Receipts to the Old-Age Survivors Insurance, Disability Insurance, and Hospital Insurance

trust funds increased by \$4.8 billion, \$0.6 billion, and \$3.5 billion, respectively, over receipts from the comparable prior year quarter. There was a \$1.0 billion adjustment for prior years liabilities made in the fourth quarter of fiscal 1996, an increase of \$1.0 billion over the comparable prior year quarter.

Contributions for other insurance and retirement—Contributions for other retirement were \$1.1 billion for the fourth quarter of fiscal 1996. There was a negligible decrease over receipts from the comparable quarter of fiscal 1995. The growth in contributions will remain flat over the next few years as the number of employees covered by the Federal employees’ retirement system (FERS) falls slowly relative to those covered under the civil service retirement system (CSRS).

Unemployment insurance—Unemployment insurance receipts for the fourth quarter of fiscal 1996 were \$6.1 billion, which is a \$0.2 billion decrease over the comparable quarter of fiscal 1995. State taxes deposited in the U.S. Treasury decreased by \$0.3 billion, and Federal Unemployment Tax Act (FUTA) receipts increased by \$0.1 billion. Railroad unemployment tax receipts increased negligibly from the comparable quarter of fiscal 1995.

Excise taxes—Net excise tax receipts for the fourth quarter of fiscal 1996 were \$13.9 billion, a decrease of \$1.8 billion over the comparable prior year quarter. Total excise tax refunds for the quarter were \$1.1 billion, an increase of \$0.6 billion over the comparable prior year quarter. The decrease in net receipts mainly reflects the expiration of certain excise taxes.

Budget Results and Financing of the U.S. Government and Fourth-Quarter Receipts by Source, con.

Estate and gift taxes—Estate and gift tax receipts were \$4.5 billion for the July through September quarter of fiscal 1996. These receipts represent a decrease of \$0.8 billion over the previous quarter, as well as an increase of \$0.7 billion over the same quarter in the previous year.

Customs duties—Customs receipts net of refunds were \$5.1 billion for the fourth quarter of fiscal 1996. This is approximately \$100 million more than the customs duties received in the Treasury from the comparable prior year quarter. This difference is attributable to an increase in merchandise imports.

Miscellaneous receipts—Net miscellaneous receipts for the fourth quarter of fiscal 1996 were \$6.6 billion, an increase of \$1.5 billion over the comparable prior year quarter. Deposits of earnings by Federal Reserve banks increased by \$1.3 billion over the comparable prior year quarter. Note: During the fourth quarter, fiscal year totals for miscellaneous receipts were increased by \$0.9 billion and \$0.8 billion for fiscal 1995 and fiscal 1996 respectively, to capture reporting for the "Universal Service Fund." ◇

Total On- and Off-Budget Results and Financing of the U.S. Government

[In millions of dollars. Source: Financial Management Service]

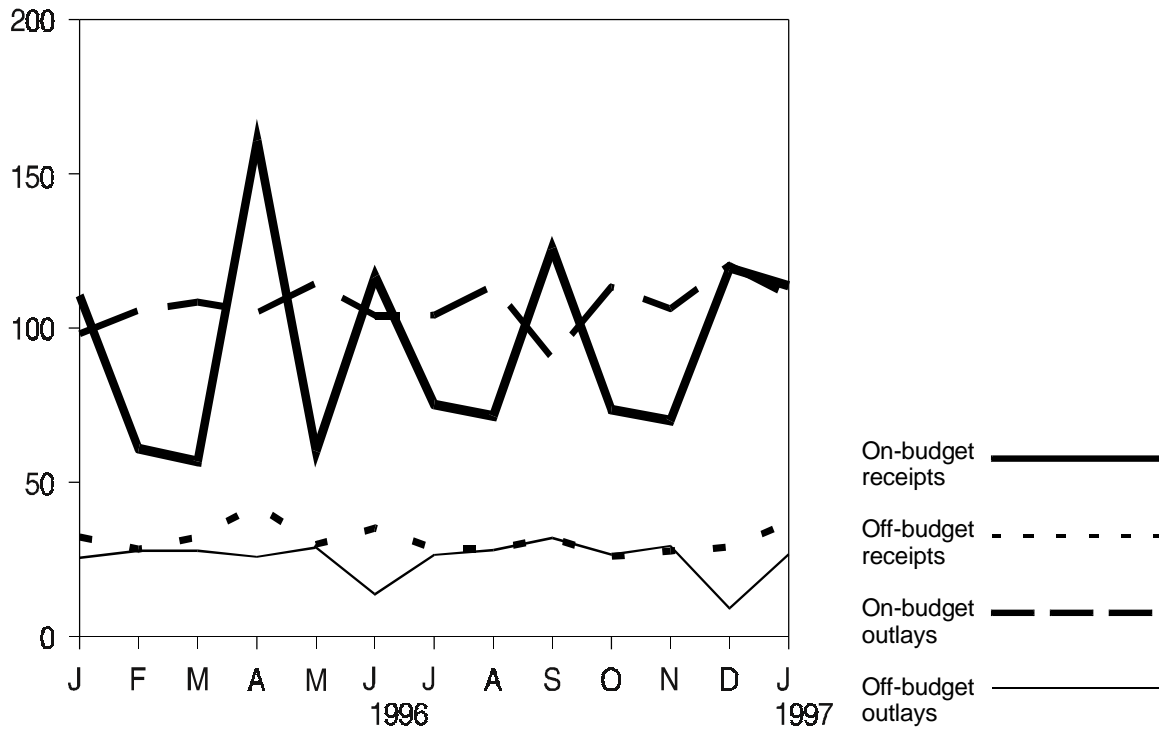
	First quarter (Oct. - Dec.)	Actual fiscal year to date
Total on- and off-budget results:		
Total receipts	345,994	345,994
On-budget receipts	263,190	263,190
Off-budget receipts	82,804	82,804
Total outlays	404,768	404,768
On-budget outlays	339,506	339,506
Off-budget outlays	65,262	65,262
Total surplus or deficit (-)	-58,775	-58,775
On-budget surplus or deficit (-)	-76,317	-76,317
Off-budget surplus or deficit (-)	17,542	17,542
Means of financing:		
Borrowing from the public	48,726	48,726
Reduction of operating cash	11,431	11,431
Other means	-1,382	-1,382
Total on- and off-budget financing	58,775	58,775

Fourth Quarter Fiscal 1996 Net Budget Receipts, by Source

[In billions of dollars. Source: "Monthly Treasury Statement of Receipts and Outlays of the United States Government"]

Source	July	August	September
Individual income taxes	49.8	46.1	68.7
Corporate income taxes	5.0	3.1	35.1
Employment taxes and contributions	37.0	37.1	43.7
Unemployment insurance	1.9	4.0	0.2
Contributions for other insurance and retirement	0.4	0.4	0.3
Excise taxes	4.5	4.0	5.3
Estate and gift taxes	1.3	1.6	1.7
Customs duties	1.7	1.8	1.6
Miscellaneous receipts	2.3	2.5	1.9
Total budget receipts	103.9	100.6	158.5

**CHART FFO-A.--
Monthly Receipts and Out-
lays**



**CHART FFO-B.--
Budget Receipts by
Source, Fiscal Year to
Date, 1996-1997**

(In billions of dollars)

Source for both charts: "Monthly Treasury Statement of Receipts"

